

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0082-02
Bill No.: SB 12
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
Department
Type: Original
Date: March 18, 2011

Bill Summary: This proposal modifies the elementary and secondary education foundation formula and state aid for summer school.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0	\$0	(\$86,315,618)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	(\$86,315,618)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
State School Moneys Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

*Offsetting Transfers In and Transfers Out in FY 14 are \$86,315,618

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$86,315,168

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration -Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the Division of Budget and Planning. BAP defers to the Department of Elementary and Secondary Education on the substance of the foundation formula changes in the legislation.

The proposal essentially involves a freeze and extension of the SB 287 (2005) foundation formula phase-in, and provides the proration mechanism to allocate the available funding across all school districts. It removes summer school average daily attendance from the foundation formula calculation, and it brackets out obsolete summer school penalty language.

According to officials from the **Department of Elementary and Secondary Education**, the proposal would appear to have no fiscal impact in FY 12 and FY 13. The call on the foundation formula in FY 14 is estimated to be \$86,315,168. This estimate was based upon data used in foundation calculations for November 2010. In addition, this estimate reflects the language of SB 12 as amended in section 163.036 and does not include 2010 summer school.

Foundation Formula As Currently In Statute

Fiscal Year	1993 % Formula	Current % Formula	Formula Revenue Requirement	Cost Due to Phase-In	Formula Appropriation	Increase Over Prior Year	Amount Underfunded
O6	100%	N.A.	\$2,463,176,888		\$2,463,176,888	N.A.	N.A.
O7	85%	15%	\$2,687,281,434	\$224,104,546	\$2,687,281,434	\$224,104,546	\$0
O8	70%	30%	\$2,819,884,230	\$132,602,796	\$2,819,884,230	\$132,602,796	\$0
O9	55%	45%	\$2,941,219,738	\$121,335,508	\$2,941,219,738	\$121,335,508	\$0
10	42%	58%	\$3,043,290,844	\$102,071,106	\$3,004,388,410	\$63,168,672	\$38,902,434
11	28%	72%	\$3,123,963,916*	\$80,673,072	\$3,004,388,410	\$0	\$119,575,506
12	14%	86%	\$3,234,510,412*	\$110,546,496	Future Appropriation to be determined		
13	0%	100%	\$3,345,111,341*	\$110,600,929	Future Appropriation to be Determined		

*Estimated

Foundation Formula Reflecting SB12 Calculations

Fiscal Year	1993 % Formula	Current % Formula	Formula Revenue Requirement	Cost Due to Phase-In	Formula Appropriation	Increase Over Prior Year	Amount Underfunded
O6	100%	N.A.	\$2,463,176,888		\$2,463,176,888	N.A.	N.A.
O7	85%	15%	\$2,687,281,434	\$224,104,546	\$2,687,281,434	\$224,104,546	\$0
O8	70%	30%	\$2,819,884,230	\$132,602,796	\$2,819,884,230	\$132,602,796	\$0
O9	55%	45%	\$2,941,219,738	\$121,335,508	\$2,941,219,738	\$121,335,508	\$0
10	42%	58%	\$3,043,290,844	\$102,071,106	\$3,004,388,410	\$63,168,672	\$38,902,434
11	28%	72%	\$3,123,963,916*	\$80,673,072	\$3,004,388,410	\$0	\$119,575,506
12	28%	72%	\$2,991,179,396*	\$0.00	Appropriation to be Determined		
13	28%	72%	\$2,991,179,396*	\$0.00	Appropriation to be Determined		
14	14%	86%	\$3,077,494,564*	\$86,315,168	Appropriation to be Determined		

*Estimated

All projections based upon data used in foundation calculations for November 2010
 Foundation calculations that reflect language of SB12 are minus 2010 summer school

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Cost</u> - Department of Elementary and Secondary Education - Increased state aid	<u>\$0</u>	<u>\$0</u>	<u>(\$86,315,168)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>(\$86,315,168)</u>
STATE SCHOOL MONEYS FUND			
<u>Transfer In</u> - General Revenue - Increased state aid	\$0	\$0	\$86,315,168
<u>Transfer Out</u> - Distribution to school districts - Increased state aid	<u>\$0</u>	<u>\$0</u>	<u>(\$86,315,168)</u>
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - School Districts - Increased state aid	<u>\$0</u>	<u>\$0</u>	<u>\$86,315,168</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$86,315,168</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposed legislation modifies the elementary and secondary education foundation formula and state aid for summer school.

FOUNDATION FORMULA MODIFICATIONS

The phase-in of the SB 287 formula will be extended through the 2013-2014 school year. The phase-in percentages for the new and old formulas are modified, as described in the proposal. This proposed legislation contains allowances for the distribution of state aid depending on the amount of available appropriations, as described below.

This proposal allows the General Assembly to appropriate more funds than required by the phase-in percentages for any particular school year. In such a situation, the Department of Elementary and Secondary Education (DESE) is required to adjust the phase-in percentages to accommodate appropriations in order to distribute one hundred percent of the total amount of appropriated funds.

During the phase-in, if the foundation formula appropriation is equal or greater than the fiscal year 2010 foundation formula expenditure and the previous fiscal year's appropriation but is insufficient to fully fund the applicable phase-in percentages, DESE must adjust the phase-in percentages to accommodate the total amount of available funds. If the Governor withholds funds, the reduced figure will be used.

In any school year in which the foundation formula appropriation is less than the fiscal year 2010 foundation formula expenditure; less than the previous year's foundation formula expenditure; or reduced from the current year appropriation by the Governor, as described in the proposal, DESE must reduce the payment amounts awarded to all school districts, including hold harmless districts. DESE must calculate a uniform proportional reduction percentage based on all available state aid to be applied to the payment amount to which all districts would otherwise be entitled under the applicable phase-in percentages.

In addition, language pertaining to a penalty for a decrease in summer school enrollment, which terminated at the end of the 2008-2009 school year, is repealed.

FISCAL DESCRIPTION (continued)

SUMMER SCHOOL

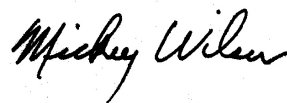
Beginning in the 2011-2012 school year, summer school attendance must not be included in a school district's average daily attendance . School districts may operate summer school programs at their own expense or at the expense of the parent.

This proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Administration
Division of Budget and Planning



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Director
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